

COUNTY ADMINISTRATION OFFICE

BUDGET UNIT: MASTER SETTLEMENT AGREEMENT (RSM MSA)

I. GENERAL PROGRAM STATEMENT

This budget unit accounts for proceeds received from the tobacco lawsuit Master Settlement Agreement (MSA). In late 1998 a settlement was reached in a lawsuit filed by states against the tobacco industry. In California the proceeds of the settlement are to be divided equally between the state and local governments who partnered in the lawsuit. Payments to local governments are based on a formula involving total tobacco sales and each local entity's population. There is no staffing associated with this budget unit.

II. BUDGET & WORKLOAD HISTORY

| | Actual | Budget | Estimated | Department |
|--------------------|----------------|----------------|------------------|-------------------|
| | 2001-02 | 2002-03 | 2002-03 | Request |
| | | | | 2003-04 |
| Total Requirements | 18,341,126 | 26,947,289 | 18,386,633 | 27,394,775 |
| Total Revenue | 22,720,793 | 20,433,000 | 21,391,119 | 17,876,000 |
| Fund Balance | | 6,514,289 | | 9,518,775 |

In accordance with Section 29009 of the State Government Code, the entire unreserved fund balance must be appropriated each year. Accordingly, estimated requirements in this fund are less than budgeted. The amount not expended is carried over to the subsequent year's budget.

III. HIGHLIGHTS OF RECOMMENDED PROGRAM FUNDED ADJUSTMENTS

STAFFING CHANGES

None.

PROGRAM CHANGES

Program changes in services and supplies include a decrease of \$686,093 as a result of the completion of the tobacco cessation programs, which were established with an allocation in the 2000-01 budget. In addition, \$2.7 million, previously appropriated in services and supplies, is now reflected in operating transfers for general financing purposes. Also included in services and supplies is an increase of \$3.8 million due to an adjustment in fund balance. Beginning with 2003-04, annual payments to the county from the Master Settlement Agreement for the next four years are scheduled at \$17.5 million. This \$2.7 million expected decrease in tobacco settlement proceeds directly corresponds to the \$2.7 million scheduled decrease in general fund financing for the Medical Center debt.

OTHER CHANGES

None.

IV. VACANT POSITION IMPACT

None.

V. OTHER POLICY ITEMS

None.

VI. FEE CHANGES

None.

GROUP: Administrative/Executive
DEPARTMENT: County Administrative Office - Master Settlement
FUND: Special Revenue RSM MSA

FUNCTION: General
ACTIVITY: Finance

ANALYSIS OF 2003-04 BUDGET

| | A | B | C | D | B+C+D E |
|-----------------------------|----------------------------------|-------------------------|--------------------------|-------------------------|-------------------------------------|
| | 2002-03 Year-End Estimates | 2002-03 Final Budget | Base Year Adjustments | Mid-Year Adjustments | Board Approved Base Budget |
| <u>Appropriation</u> | | | | | |
| Services and Supplies | 686,633 | 9,247,289 | - | - | 9,247,289 |
| Total Appropriation | 686,633 | 9,247,289 | - | - | 9,247,289 |
| Operating Transfers Out | 17,700,000 | 17,700,000 | - | - | 17,700,000 |
| Total Requirements | 18,386,633 | 26,947,289 | - | - | 26,947,289 |
| <u>Revenue</u> | | | | | |
| Use of Money & Prop | 362,497 | 200,000 | - | - | 200,000 |
| Other Revenue | 21,028,622 | 20,233,000 | - | - | 20,233,000 |
| Total Revenue | 21,391,119 | 20,433,000 | - | - | 20,433,000 |
| Fund Balance | | 6,514,289 | - | - | 6,514,289 |

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ANALYSIS OF 2003-04 BUDGET

| | B+C+D E Board Approved Base Budget | F Recommended Program Funded Adjustments | E+F G 2003-04 Department Request | H Vacant Position Impact | G+H I 2003-04 Proposed Budget (Adjusted) | J Recommended Vacant Restoration | I+J K 2003-04 Recommended Budget |
|-----------------------------|---|--|--|-----------------------------------|--|---|--|
| <u>Appropriation</u> | | | | | | | |
| Services and Supplies | 9,247,289 | 414,486 | 9,661,775 | - | <u>9,661,775</u> | - | 9,661,775 |
| Total Appropriation | 9,247,289 | 414,486 | 9,661,775 | - | <u>9,661,775</u> | - | 9,661,775 |
| Operating Transfers Out | 17,700,000 | 33,000 | 17,733,000 | - | <u>17,733,000</u> | - | 17,733,000 |
| Total Requirements | 26,947,289 | 447,486 | 27,394,775 | - | <u>27,394,775</u> | - | 27,394,775 |
| <u>Revenue</u> | | | | | | | |
| Use of Money & Prop | 200,000 | 160,000 | 360,000 | - | <u>360,000</u> | - | 360,000 |
| Other Revenue | <u>20,233,000</u> | <u>(2,717,000)</u> | <u>17,516,000</u> | - | <u>17,516,000</u> | - | <u>17,516,000</u> |
| Total Revenue | 20,433,000 | (2,557,000) | 17,876,000 | - | <u>17,876,000</u> | - | 17,876,000 |
| Fund Balance | 6,514,289 | 3,004,486 | 9,518,775 | - | <u>9,518,775</u> | - | 9,518,775 |

COUNTY ADMINISTRATIVE OFFICE

Recommended Program Funded Adjustments

| | | |
|-------------------------|--------------------|---|
| Services & Supplies | 3,833,579 | Anticipated adjustment for fund balance. |
| | (2,733,000) | Transferred appropriation to operating transfers out. |
| | (686,093) | Allocation for Tobacco Use Reduction program from 2000-01. |
| | <u>414,486</u> | |
| Total Appropriation | <u>414,486</u> | |
| Operating Transfers Out | (2,700,000) | Decrease in financing for the Medical Center debt. |
| | <u>2,733,000</u> | Increase in general purpose financing. |
| | <u>33,000</u> | |
| Total Requirements | <u>447,486</u> | |
| Revenue | | |
| Use of Money & Prop | <u>160,000</u> | Anticipated increase in interest due to fund balance. |
| Other Revenue | <u>(2,717,000)</u> | Anticipated decrease in tobacco proceeds per the Master Settlement Agreement. |
| Total Revenue | <u>(2,557,000)</u> | |
| Fund Balance | <u>3,004,486</u> | |